

ADMINISTRATION AND FINANCE COMMITTEE

DATE: August 15, 2006

CALLED TO ORDER: 5:06 p.m.

ADJOURNED: 7:57 p.m.

ATTENDANCE

Attending Members

Joanne Sanders, Chair
Paul Bateman
Vernon Brown
Becky Langsford
Jackie Nytes
Lincoln Plowman

Absent Members

Lynn McWhirter

AGENDA

PROPOSAL NO. 386, 2006 - appoints Brenda Rising-Moore to the City-County

Administrative Board

“Postponed” until August 22, 2006

Vote 4-0

PROPOSAL NO. 429, 2006 - approves the issuance of "City of Indianapolis, Indiana, Limited Recourse County Option Income Tax Revenue Anticipation Notes" in an original aggregate principal amount not to exceed \$36,000,000

“Do Pass”

Vote 4-0

BUDGET HEARING

City-County Council and Clerk
Department of Administration and Equal Opportunity

- Administrative Services
 - Human Resources
 - Equal Opportunity
- Building Authority

Indianapolis Marion County Public Improvement Bond Bank
Bond Obligations/Debt Service
Channel 16/Cable Communications Agency

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, August 15, 2006. Chair Joanne Sanders called the meeting to order at 5:06 p.m. with the following members present: Paul Bateman, Vernon Brown, Jackie Nytes, and Lincoln Plowman. Becky Langsford arrived thereafter. Absent was Lynn McWhirter. Bart Brown represented Council staff.

PROPOSAL NO. 386, 2006 - appoints Brenda Rising-Moore to the City-County Administrative Board

Chair Sanders said that Ms. Rising Moore has informed the Administration and Finance Committee Clerk of her unavailability to attend the meeting, and that she will be able to attend on August 22, 2006.

Councillor Brown moved, seconded by Councillor Bateman, to "Postpone" Proposal No. 386, 2006 until August 22, 2006. The motion carried by a vote of 4-0.

PROPOSAL NO. 429, 2006 - approves the issuance of "City of Indianapolis, Indiana, Limited Recourse County Option Income Tax Revenue Anticipation Notes" in an original aggregate principal amount not to exceed \$36,000,000

Chair Sanders asked Katie Aeschliman, Bond Bank, if she is prepared to present now. Ms. Aeschliman answered that Barbara Lawrence, Executive Director, Bond Bank, will be presenting. Chair Sanders asked for consent to move the proposal to be heard before the budget hearing of the Bond Bank. Consent was given.

BUDGET HEARING

City-County Council and Clerk (Executive and Legislative, 13-15, City Budget Book)

Jean Milharcic, Clerk of the Council, distributed a handout (Exhibit A) to the Committee. [Clerk's note: A copy of Exhibit A is on file in the Council Office with the original set of minutes.] Ms. Milharcic said that the medical insurance increased by 23% and the Pension Plans increased by 36% in Character 01, resulting in a total increase of \$38,114. The large percentage increase in medical insurance could be reflective of someone moving from a single plan to a family plan that would result in a \$7,000 increase. There was a decrease in Character 02 for supplies in the amount of \$1,250. She said that Character 04 decreased by \$5,000 due to the change in the ISA program. Character 03 has a total increase of \$17,218 from the ISA increase, building rent increase, Attorney and Consulting Services, and travel. The travel increase is due to the increases in airfare and lodging. Ms. Milharcic said that part of the ISA charges include maintenance for the Council's Ordinance Tracking System (OTS) and they are about half the price per hour of the company that created the system. The overall budget increased by 2.88% or \$48,882, of which \$44,532 resulted from increases in ISA, insurance, and rent.

Councillor Brown asked Mr. Clifford if there are any plans for the Controller's Office to monitor the Character in which travel expenses are incurred to ensure the necessity of travel. Mr. Clifford answered that there are procedures in place in the City's budget that require that directors receive approval from the Chief of Staff to travel and that the budget remains openly stagnant. He said that much of the training for the City is done locally. Councillor Brown asked if there will be any effort to restrict or oversee the travel expenses of those of the Legislative and Judicial branches. Mr. Clifford answered in the negative. Councillor Brown said that he believes that the Controller's Office should take a more active role in those areas because they are in charge of the overall management of the budget.

Chair Sanders said that there is a situation this year that will affect several Council members because the Mayor of Indianapolis will become the President of the National League of Cities and it is customary that at the time the local mayor becomes president of that organization, a delegation from the City goes to that particular meeting in an effort to show support for the organization, as well as for the visibility that it brings to the City. She said that this will occur in December of this year. She believes that the Clerk is trying to ensure that there will be some flexibility within the budget to accommodate those Council members that serve on the steering committees, as more members will likely be appointed during the Mayor's term as president.

Department of Administration and Equal Opportunity (Department of Administration, 1-6, City Budget Book)

Sherlonda Anderson, Director of the Department of Administration and Equal Opportunity (DAEO), distributed a handout (Exhibit B) and said that she will give an overview of the department, by division, highlighting increases and decreases proposed by the department.

[Clerk's note: A copy of Exhibit B is on file in the Council Office with the original set of minutes.]

Ms. Anderson said that each division administrator will present their budget in detail. She recognized her staff for their dedication to the department and said that due to their hard work, the proposed 2007 budget for DAEO results in an increase of 8.8%. Ms. Anderson said that the mission of DAEO is to provide leadership, support and services to internal and external customers in the areas of Administrative Services, Human Resources, and Equal Opportunity.

Ms. Anderson said that the Administrative Services budget increased by 9.6%, which is primarily due to a new Charter School position and to cover the cost of an expired grant for Charter Schools. The Human Resource Division's budget increased by 7.9% and the Division of Equal Opportunity's budget increased by 9.3% due to the reallocation of ISA charges and consultant fees.

▪ **Administrative Services** (Department of Administration, 7-9, City Budget Book)

Pages 3-6 of Exhibit B highlight the following:

- The service areas of the Administrative Services Division

- A listing of the current Charter Schools
- A listing of future Charter Schools
- A breakdown of changes in the budget, which reflects the addition of the Charter School Director position and an increase in Character 03 to cover a grant that has been received for the past four years, but is expiring this year.

Ms. Anderson recognized the new Charter Schools Director, Daniel Rourke. Chair Sanders asked Ms. Anderson to speak on the After-School Development Program. Ms. Anderson said that the After-School Development Program, headed up by David Klinko, supports the after-school movement to encourage participation with education and community leaders during the critical time between the hours of 3:00 p.m. and 7:00 p.m. She said that students need viable opportunities and activities, which is what the program offers. Chair Sanders asked if the program is funded through school funds. Ms. Anderson answered in the negative and stated that it is privately funded, and the Administrative Services Division acts as a liaison for the program.

Councillor Brown asked if the Mozelle Sanders Charter School is in the Meadows area by the Tinsley School. Corrie Hennig, Assistant Charter Schools Director, said that the Mozelle Sanders School has not opened yet, and a location is still being pursued. The Challenge Foundation Academy is the school that is opening near the Charles A. Tinley Accelerated School.

Chair Sanders asked about the expiring grant. Ms. Diller answered that it is from the Annie E. Casey Foundation and said that the grant was for \$150,000, but the increase in the budget only reflects \$72,000 because some of the expenses were absorbed by other line items. Chair Sanders asked if there will be another round of grant funding available for which to apply. Ms. Anderson answered in the negative.

Councillor Brown asked how the grant was used. Mr. Rourke said that the grant primarily helped establish the accountability systems that are now in place for assessing applications and ensuring the operation of the office.

[Clerk's Note: Councillor Nytes arrived 5:30 PM]

▪ **Human Resources (10-12)**

Collin Kebo, Human Resources Administrator, presented the overview for the Human Resources (HR) Division using the same handout (Exhibit B).

Pages 7-15 of Exhibit B highlight the following:

- The organizational chart of the HR Division
- Risk Management and Labor/Employee Relations Service Areas
- HR Service Areas
- HR Consolidation and update
- A breakdown of changes in the budget.
- HR Reports

- Open enrollment and demographics
- Employment Results
- Turnover
- Worker's Compensation
- FMLA & Short-term disability

Mr. Kebo stated that most of the focus has been on consolidating HR and Risk Management. He said the consolidation included adding 27 county agencies, with 3,000 county employees to the HR division.

Mr. Kebo listed the service areas of risk management and labor/employee relations found on pages 7 and 8 of Exhibit B. He further stated that HR offers training classes ranging from beginning computer classes to management classes. He said the city and county offer 25 different benefit plans. HR administers these plans and open enrollment, and negotiates the contracts with each carrier. He said HR maintains and administers the compensation plan, maintains job descriptions, job classification systems, and salary grades. He stated that performance management administers the performance appraisal system. He said the HR has consultants assigned to each city and county department that act as a liaison between the departments and HR.

Mr. Kebo stated that consolidating all city and county HR functions under DAEO created efficiency, eliminated duplication, streamlined processes, enhanced services and programs, and provided better service.

Councillor Brown asked if the consolidation included the Courts, Prosecutors Office, and Public Defenders Office. Mr. Kebo stated that Courts, Prosecutors Office and Sherriff's Department were exempt through ordinances, but the Public Defenders Office was consolidated under HR. Councillor Brown asked if the exempt offices had their own HR departments. Mr. Kebo said that the exempt groups use HR for open enrollment and compensation studies. Councillor Brown asked if the exempt offices have an assigned HR consultant. Mr. Kebo said they do not, and that they handle HR inquiries internally. Councillor Brown asked if the employees in the exempt offices are required to live in Marion County as is required of other employees. Mr. Kebo responded that an ordinance requires that employees live within the County, and they are not exempt from that requirement.

[Clerk's Note: Councillor Langsford arrived 5:45 PM]

Mr. Kebo updated the committee on the progress of HR consolidation and said it was almost complete. He said consolidation centralized the employment process; all city and county jobs are posted on the HR website, all applications are processed in one location, qualified applicants are referred to hiring managers, and comprehensive background checks are conducted. He said HR is developing uniform benefit programs, which are being implemented in phases due to their complexity and cost impact. The last phase will be completed by the end of 2007, which will make all benefit plans the same for all employees.

Mr. Kebo discussed the impact of consolidation through various HR reports found on pages 10 – 15 of Exhibit B. He said that 86.5% of eligible city and county employees are enrolled in benefit plans. He discussed the demographics of city and county employees and stated 75% of city employees were male, while only 47% of county employees were male, about 15% of all employees are over 55 years old, and the average age of all employees is about 40.

Councillor Brown asked if there was a demographic snapshot broken down by race and gender. Mr. Kebo said he would send that information to Councillor Brown, but does not know those figures.

Mr. Kebo stated that HR processed 6,000 applications for city jobs in 2005, but has processed over 6,000 applications for city and county jobs in the first half of 2006. Chair Sanders asked if the job postings were similar for both years. Mr. Kebo stated that the postings were similar, but the increase is due to the addition of county job postings through consolidation. He said that HR processes about 1,000 applications per month, which is double the amount from 2005. He said the turnover rates in employment have steadily grown from 11% in 2004 to 16% in 2006. This includes everyone but sworn employees. Councillor Nytes asked if the Courts, Prosecutors Office and Sheriff's Department were included in these figures. Mr. Kebo said that they were not included and neither are the county employees, but they are being tracked now.

Councillor Nytes asked if the Prosecutors, Public Defenders and Courts rates would be in next year's figures. Mr. Kebo stated only if they give HR access to the numbers. Councillor Nytes stated that the Council has authorized salary adjustments with the express goal of reducing turnover. She said she has asked the Courts for those numbers and that they should be seeing the results by now for comparison to those employees who did not receive raises. Councillor Plowman stated that the Prosecutor and Public Defender offices made budget presentations in the Public Safety & Criminal Justice Committee and stated that they thought the salary increases had reduced turnover. Councillor Nytes stated she would like to see the documentation of those changes.

Councillor Brown asked how many people the courts employ. Mr. Kebo stated the Courts have 760 employees, Prosecutors have 283, Public Defenders have around 196 and the Sheriff's Department has 1,200 employees. Chair Sanders asked if the Clerk's office is included in the Court numbers. Mr. Kebo replied in the affirmative.

Mr. Kebo said the turnover for biweekly employees has crept up every year since 2004 but the turnover for union employees has been relatively stable for the same time period. Councillor Nytes asked if the union contracts called for salary increases for the employees, while the biweekly non-union employee wages remained the same. Mr. Kebo stated in the affirmative. Councillor Nytes stated that regular salary increases might be an indicator of turnover rates based on these figures. Chair Sanders said the increases do matter but the non-union employees have not incurred an increase of 15% in insurance premiums. She stated that each of the last three years, the Council had worked hard to pass a budget that funded the increases in insurance premiums rather than passing them on to employees. Mr. Kebo affirmed that statement and said

HR has been able to keep the premiums stable for biweekly non-union employees because they have not received an increase in pay.

Mr. Kebo said that Workers Compensation Claims and costs have decreased slightly from 2004 to 2005. He said HR might implement a “return to light duty” work program to help reduce those costs. He stated that FMLA and short term disability claims have decreased since 2004. He said HR is asking for a total increase of \$129,651 for 2007.

▪ **Equal Opportunity (13-14)**

Robert Ransom, Equal Opportunity Administrator, presented the overview for the Division of Equal Opportunity (DEO) using the same handout (Exhibit B).

Pages 16-20 of Exhibit B highlight the following:

- DEO Service Areas
 - Minority and Women Business (MBE/WBE) Certifications
 - Contract Bid Evaluations
 - Contract Wage Monitoring
 - Adjudication of discrimination complaints
 - African-American Male Commission
 - Liaison to the DEO Advisory Board
- MBE/WBE Initiatives
 - Track City/County participation Goals
 - Increased to 15% MBE
 - Increase to 8% WBE
 - Bid Evaluations, construction, goods and services, and professional services
 - Contract compliance monitoring
 - Outreach initiatives – quarterly events, certifications, business opportunities
- Adjudication of discrimination complaints
 - 29 cases filed in 2006
 - 8% reduction from 2005
 - Total case load year-to-date is 213
 - Allegation breakdown
 - 67.5% race – employment and housing
 - 24.3% sex – employment and housing
 - 8.1% disability
 - 0% national origin, religion, gender identity, sexual orientation, and other
- Indianapolis Commission on African-American Males (ICAAM)
 - Vision and Mission statements
 - Project Hope for incarcerated individuals.
 - Strategies to eliminate achievement gap in education
 - Programs to reduce youth violence
 - Increase mentors in public schools
- A breakdown of changes in the budget.

Mr. Ransom stated that the slight increase in MBE/WBE certifications in 2006 is attributable to the stadium, airport, and CSO projects totaling 600 certified MBE/WBE businesses. Chair Sanders asked if DEO tracks municipal corporations contracts. Mr. Ransom answered in the negative. Chair Sanders asked if anyone tracks those numbers. Mr. Ransom said that the airport tracks their numbers and assumed that other agencies do the same. Chair Sanders asked if there is anything prohibiting DEO from tracking the numbers since municipal corporations fall under city government. Mr. Ransom said that an agreement would probably have to be in place for DEO to monitor those numbers. He further stated that DEO mainly does outreach to MBE/WBE businesses. Councillor Bateman asked how close DEO is to reaching its target MBE/WBE certifications. Mr. Ransom said that DEO hopes to reach the goal by the end of 2006. Bob Clifford, City Controller, added that the purchasing department is responsible for tracking the information and the data was not captured well this year because of a data issue that is being resolved. He further stated that DPW and the construction contracts do an excellent job of ensuring minority participation.

Mr. Ransom said that this was the first year that discrimination based on Gender Identity or Sexual Orientation was tracked and so far no allegations have been filed. He said the Indianapolis Commission of African-American Males (ICAAM) has been primarily focused on Project Hope, which assists previously incarcerated individuals find gainful employment. Councillor Nytes stated that there was a report by the Commission on African American Males and wanted to know if there was a follow up report citing progress on the recommendations made in the original report. Mr. Ransom said there was an update and he would get a copy to the Councillors.

Mr. Ransom stated that there is a slight increase in the proposed 2007 budget. He said there is a slight decrease under Character 1, because of personnel changes, an increase in Character 3, because of an increase in ISA charges and rent, and a decrease in Character 4.

Building Authority

Ronald Reinking, General Manager, presented the overview for the Indianapolis Marion County Building Authority (IMCBA).

Mr. Reinking stated the IMCBA provides management services to Indianapolis and Marion County. He said IMCBA has no taxing authority and their income revenues come from lease payments. He said the 2007-2008 budget (Exhibit C, a copy of which is on file in the Council Office) begins July 1, 2007 through June 30, 2008. He said the budget summary handout (Exhibit D, a copy of which is on file in the Council Office) illustrates the 2007 budget proposal and the changes from 2006. He said it has been three years since IMCBA has updated its budget requirements at the request of the City and County, but the rising cost of energy, building materials, paper products and fuel demands that the budget be increased for 2007. He stated that the total operating increase is \$791,900. Of that amount, \$230,900 is for a janitorial services contract for the juvenile justice complex. This is not a new increase, but a shift in a cost that used to be in the court services budget and is now in their rent, so the actual budget increase is \$561,000. He said \$309,900 is budgeted for utilities, with electricity showing the largest

increase. He stated that IMCBA enrolls its qualified buildings in the Indianapolis Power and Light (IPL) electric plan, which fixes the fuel charges at a certain level for one year and gives property owners a 3% discount on the bill. He said the City County Building is too large and does not qualify for the plan, therefore it has been \$90,000 over budget because of the rise in fuel charges. He said the IPL electric plan has been discontinued and all buildings will have fuel increases of about \$140,000 in addition to the \$90,000 for the City-County Building for a total budget increase of \$230,000.

Councillor Nytes asked IMCBA if the various agencies were able to control or reduce their utility usage. Mr. Reinking stated they received good cooperation from agencies; the instituted lighting and thermostat changes have also saved money. Councillor Nytes asked if there are any other measures that could be used to save money or is everyone at the bare minimum needed to operate. Mr. Reinking stated as many cuts as possible have been made while still maintaining a reasonable working environment. Councillor Brown asked if Mr. Reinking had the budget numbers for 2005. Mr. Reinking stated that he did not have the budget numbers with him, but that IMCBA reports the numbers to the Department of Administration on a monthly basis and will have Administration get those numbers to the Council.

Mr. Reinking stated that the cost of natural gas has increased 40% for the last three years and there are 14 buildings on natural gas. He further stated that the steam rate has increased 10.7%, which affects the jail and the City-County Building and the water rates are increasing by 30%, which will greatly affect the jail and the juvenile center. He continued, stating that among the other costs over which IMCBA has no control, is the employer portion of the Public Employees Retirement Fund (PERF). That budget has increased \$67,700 and all insurance premiums have increased \$71,700.

Mr. Reinking said that this budget includes the transition of costs from the arrestee-processing center from bond proceeds to the operating budget including the trustee, bond bank, and accounting services fees, increasing the budget by \$33,400.

Mr. Reinking stated the operating budget is increased less than 1% or \$78,400 for all aspects of personnel, gasoline, supplies and all contracts for a three-year period. Mr. Reinking said the budget for the City-County Building is \$4,802,500, an increase of 4.1%, which includes \$411,800 for major repairs and the cooling tower project payoff.

Mr. Reinking stated that IMCBA is undertaking, in addition to the normal maintenance responsibilities, multiple public safety projects including:

- Structural repairs to Marion County Jail II, which should be completed by end of 2008
- Removal of asbestos and re-insulation from Court 20, which will begin the first week of September
- Bids for Marion County Work Release Center renovation project which are due August 22
- Construction of Hearing Rooms at the Juvenile Justice Center, which will begin in September
- New roofs for the east half Marion County Jail, the Juvenile Detention Center, and the Animal Control building, which will begin within 30 days

- Replacement of three air handling units for Marion County Jail, which will be completed in October.
- Replacement of the fire alarm system in the Jail, for which bids are due August 29
- New wall replacement system for Animal Control
- Replace refrigeration chiller for air conditioner system for police training facility, which will begin November or December 2006

Councillor Brown asked if IMCBA maintains all the roll call sites for the Indianapolis Police Department. Mr. Reinking said yes, except for the downtown Indianapolis site. Councillor Brown asked if additional roll call sites would be added for the consolidated police department and if that is included in the budget. Mr. Reinking stated that IMCBA has not been asked to maintain any additional facilities; therefore, it is not included in the budget. He added that if any additional roll call sites would be added they would have to be buildings owned by the city, as IMCBA cannot maintain privately owned buildings. Councillor Brown asked when the renovations to the hearing rooms for the juvenile center would be complete. Mr. Reinking said it would be complete by the end of the year. Mr. Clifford added that those costs were included in the Superior Court budget.

Councillor Nytes asked if the Washington Township Fire Stations would be considered for management by IMCBA. Mr. Clifford stated he did not know the answer to that question. Councillor Brown stated that the Indianapolis Fire Department (IFD) used to have contracts with IMCBA but does not anymore. He added that IFD will make it's budget presentation August 23, and he does not believe it includes plans for IMCBA to maintain those buildings.

[Clerk's Note: Councillor Plowman left at 6:33 PM]

PROPOSAL NO. 429, 2006 - approves the issuance of "City of Indianapolis, Indiana, Limited Recourse County Option Income Tax Revenue Anticipation Notes" in an original aggregate principal amount not to exceed \$36,000,000

Barbara Lawrence, Executive Director, and Katie Aeschliman, Senior Project Manager for the Indianapolis Local Public Improvement Bond Bank, presented Proposal No. 429, 2006 (Exhibit E, a copy of which is on file in the Council Office). Ms. Lawrence stated the County Option Income Tax (COIT) which has been levied since 1985, was originally used to establish pension relief, and is currently used to fund public safety operations. She said in 2005, City and County leaders agreed to increase COIT to fund criminal justice needs. She stated that a 0.1% increase generates \$15 to \$17 million in additional gross revenue. The proposed COIT notes will be used as a cash-flow management tool, similar to the Bond Bank's property tax warrant program. The notes are issued to capture COIT proceeds when the cash is earned, rather than when it is collected from the State. This allows for capitalization during the year that the funds are needed instead of six to twelve months after the assessment.

Ms. Lawrence stated that the proposal authorizes the issuance of COIT revenue anticipation notes not to exceed \$36 million. She said it would allow the City to capitalize the COIT revenues, including the second phase increase. It would also capitalize a special \$20 million

distribution from the State COIT Trust account. She stated that the Bond Bank will issue two-year notes in early 2007 to provide proceeds to pay for operating or capital project needs, similar to the notes issued in 2006. She said if the full Council authorizes the proposal on August 28, 2006, it can be considered by the Bond Bank's Board of Directors soon afterward, and the notes can be closed by Spring 2007.

Chair Sanders asked if the revenue figures had been included in the revenue totals for the current budget. Mr. Clifford answered in the affirmative.

Councillor Brown asked where the money would be used. Ms. Lawrence stated that the money will fund public safety and related public safety projects. Mr. Clifford added that the money would fill any shortfalls in public safety and criminal justice, but the majority will be directed to public safety. Councillor Brown wanted clarification that COIT was paid for by the residents of Marion County, not the 200,000 people who work in Marion County but live in another county even though they use and put a strain on public safety services. Mr. Clifford answered in the affirmative.

Councillor Nytes asked if the \$20 million distribution would be one-time pay out or if it would be an ongoing thing. Mr. Clifford stated that it is a one-time distribution.

Councillor Nytes moved, seconded by Councillor Bateman, to send Proposal No. 429, 2006 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 4-0.

Indianapolis Marion County Public Improvement Bond Bank

Barbara Lawrence, Executive Director, and Katie Aeschliman, Senior Project Manager for the Indianapolis Local Public Improvement Bond Bank (Bond Bank) presented.

Ms. Aeschliman presented an overview of the 2006 budget and the proposed 2007 budget (Exhibit F, a copy of which is on file in the Council Office). Ms. Aeschliman stated the Bond Bank was created in 1985 per Indiana Code to develop infrastructure, promote education, and assist economic development. The Bond Bank buys and sells securities of qualified entities (QEs), such as the City and County, Indianapolis Airport Authority (IAA), Capital Improvement Board (CIB), IndyGo, Indianapolis-Marion County Public Library (IMCPL), and special taxing districts, such as Ft. Harrison Reuse Authority.

Ms. Lawrence stated that the Bond Bank does not draw from City funds for ongoing expenses, such as staff salaries, professional services, project start-up assistance, QE support and community support. She said that Bond Bank revenues come from the issuance of annual fees assessed to QEs and investment earnings on accounts. She stated that the Bond Bank budget cycle is separate from the budget process as it starts in September and is approved in December by the Bond Bank Board of Directors. Ms. Lawrence distributed a handout (Exhibit G, a copy of which is on file in the Council Office) to the committee, which illustrates the update for the 2006 budget. She stated that the Bond Bank revenue has increased by 5.28%.

Chair Sanders asked about the large increase in checking interest revenue. Ms Lawrence stated that the revenue was estimated too low and the large increase is due to correcting that error. Ms. Lawrence stated that there was a modest increase in professional services to cover any additional costs associated with taking on many bond issues. She said the largest increase is in Equipment/maintenance and furnishings because they are required to keep paper files in addition to their electronic copies and more filing and shelving space was needed. She stated that the Supplies and Miscellaneous increase was due to the increase in bond issues. She said that the increase for Union Station was to maintain a very old building. She stated that the total non-professional expenses increased by 2.44% and the total personnel expenses increased by 10.98% because of the addition of a full-time employee for Charter Schools, but the total budget only increased 6%. She stated that the 2007 budget would be developed to complement the approved City and County's budget.

Ms. Aeschliman stated that the Bond Bank has funded many projects including:

- FG&H waterworks revenue bonds - \$506,165 million
- Marion County Family and Children - \$15.9 million
- State Revolving Fund (SRF) Loan for CSO and sanitary sewer projects - \$90 million
- Waterworks Revenue Bonds – \$77.83 million
- Facility Revenue Bonds - \$16.55 million
- Storm water projects - \$43.43 million
- E SRF Loan - \$35.25 million
- IAA – tax-exempt \$346.995 million, taxable \$42.79 million
- Tax warrants - \$209 million
- Tax Increment Financing Bond Defeasance – generated enough increment to defease the outstanding bonds

Councillor Nytes asked why the IAA has taxable and non-taxable bonds. Ms Aeschliman stated that the bond was for the construction of a car rental facility for private entities and those bonds must be taxable. Councillor Nytes asked for clarification about whether defease means the city has paid this debt. Ms. Aeschliman stated in the affirmative.

Councillor Bateman asked if there were any debts in which the Bond Bank is upside down. Ms. Lawrence stated that there is one, but it has a taxpayer agreement that makes the payment when the city has a shortfall. She added that there have been circumstances when the revenue barely covers the expenses.

Ms. Aeschliman stated the Bond Bank has many upcoming and ongoing transactions including:

- Metropolitan Emergency Communications Agency (MECA) upgrade
- Bond Bank Vehicle Lease Program
- Near Eastside Housing Tax Increment Financing – part of Indy Neighborhoods Project
- Downtown Canal Capital Improvements
- 2005 E United Bonds Remarketing – conversion from variable to fixed rate bonds, close on these August 29, 2006
- COIT Notes
- DOW and DPW ongoing projects

Ms. Aeschliman stated the Bond Bank has many special projects and initiatives including:

- Union Station – new restaurant, credit union kiosk, and other ways to maximize revenues
- Downtown Development and Construction
- Refunding and Cost of Capital – places to look for savings
- Rating Agencies – state of the City
- Challenges of Circuit Breaker

Councillor Sanders asked for clarification of Circuit Breakers and what are the effects. Ms. Aeschliman said that Circuit Breakers are the change in state law authorizing a cap in property tax, not to exceed 2%. The challenge is that it affects debt, as it affects City revenues, insurance, and ratings of the City. Mr. Clifford stated that when the 2% limit goes into effect by 2010, \$115 to \$120 million of all the City and County offices, including townships, school systems, public safety, library, and public transportation will take a catastrophic hit in their budgets. He added that of the \$115 million dollar loss in revenue, half of that is from the school budgets.

Councillor Nytes asked what percentage of homes would be at the 2% limit. Mr. Clifford stated that the Legislative Services Agency estimates that the number of homes wouldn't change that much, but the law included rental property and business, which is where the loss of revenue is the largest. Councillor Nytes asked if the Assessors have provided any information regarding their application of trending which demonstrates where the losses will occur and if they are trying to find ways to offset this loss. Mr. Clifford stated that they are trending and it is offsetting some of the losses. He said the tax rate is at \$2.00 in Washington Township, the lowest, and as high as \$5.00 in Beech Grove. Because there is such a difference, it is difficult to figure out where this will hit the hardest. Ms. Lawrence said this is one of the challenges for the Bond Bank for General Obligation (GO) bonds and it could add \$500,000 or more to the cost of financing on things like the MECA transaction, because insurance may not be available due to the city's ratings.

Bond Obligations/Debt Service

Barbara Lawrence, Executive Director, and Katie Aeschliman, Senior Project Manager for the Indianapolis Local Public Improvement Bond Bank (Bond Bank) distributed a handout (Exhibit H, a copy of which is on file in the Council Office) to the committee for use during the presentation.

Ms. Lawrence stated that it is important to understand that there are different taxing districts, they include:

- Redevelopment
- Individual TIF
- Public communications and computer services/MECA

Ms. Lawrence explained the types of outstanding debt:

- Redevelopment/TIF represents \$369 million in outstanding debt, which accrued through the metropolitan development commission and Council, such as downtown development projects, 86th Street, the airport and others.
- General Obligation (GO) debt represents \$238 million and is tax backed debt, applicable to all taxing districts.
- Revenue debt represents \$401 million and includes any type of debt that is outstanding for which revenue is pledged, such as sanitary sewer revenue or storm water revenue.
- United debt represents \$130 million and is all outstanding debt for that transaction.
- Pension Obligation Bonds represent \$100 million and is a general obligation, but is broken out separately.
- Short Term Notes represent \$32 million and is a collection of short-term financing (5 years and under). It includes voting machines, Fall Creek Place, etc.

Ms. Lawrence explained the break out of GO Bonds for 2006 and where they are projected to be through 2010. She said that they don't expect any city debt by 2008, metro debt will begin to be paid off by 2008, parks and MECA debt are backed by property taxes, sanitation debt is unchanging, and pension debt has a spike in 2007 because principal payments begin.

Ms. Lawrence explained the break out of revenue bonds for 2006 and where they are projected to be through 2010. She said the sanitation debt increases due to the long-term control plan and capital improvement projects.

Ms. Lawrence explained the break out of redevelopment bond debt for 2006 and where they are projected to be through 2010. She said the downtown debt includes mall bonds, union station, and capital commons projects. She added that Harding street, Ameriplex and UAL debt cap out the graph.

Councillor Nytes asked what amount of the UAL debt repayment is being generated by the new tenants. Ms. Lawrence stated that the total outstanding TIF debt is \$73 million and is not a challenged TIF. A portion of the debt is paid by property taxes. She said that selling parcels lessens the impact on townships.

Ms. Lawrence explained the total debt service for 2007. She said the graph is a visual display of the debt service for 2007. She explained that Net Bonded Debt is Constitutional Debt and means that each taxing district has a defined maximum amount. The civil city has a limit of 2/3 of 1%. The civil city currently has a net bonded debt of \$101,078,000, which is 41% of the limit. She said the redevelopment district has no limitations, the sanitary district is at 28% of the limit, public safety is at 7% of the limit, flood control is at 9% of the limit, metropolitan thoroughfare is at 12% of the limit, and park district had no limit. She stated that Indianapolis ranks very well in debt ratio when ranked against comparable cities.

Channel 16/Cable Communications Agency (City Budget Book, Exec. & Leg. 25-27)

Rick Maultra, Cable Communications Agency director, presented.

Mr. Maultra stated that Channel 16/Cable Communications Agency (Ch. 16) oversees the administration and facilitation of government access television, compliance of the cable franchise agreement with Bright House and Comcast, Federal Communications Commission (FCC) customer service standards and city cable ordinance. It also mediates subscriber cable complaints. He said that Ch. 16 prepares franchise agreements and renewals, provides strategic and secretarial support for WCTY –TV 16 and Government TV 2, prepares documentation for the FCC, assists other departments with telecommunications matters and right of way matters, provides coverage of public meetings, provides video production services, and produces government and community affairs programming.

Mr. Maultra stated that House Bill 1279 has taken up a considerable amount of time for Ch. 16. The bill puts franchising at the state level and eventually those duties will migrate to the state of Indiana. He said that the fire department merger would add new duties to Ch. 16, such as getting Washington Township Fire Stations hooked into Indianapolis Fire Department (IFD) institutional network programming. He said according to IFD Chief Greeson, the programming provided by Ch. 16 would cost \$1 million per year elsewhere and even more with the addition of Washington Township. He said that to keep these provisions and services under Ch. 16, the Indiana Utility Regulatory Commission (IURC) must be petitioned in 2008.

Mr. Maultra stated that the 2007 budget does not contain any major changes from 2006. He said the increases are in uncontrolled areas, such as rent, insurance, and pensions.

CONCLUSION

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 7:57 p.m.

Respectfully submitted,

Joanne Sanders, Chair
Administration and Finance Committee

JS/nsm/cc